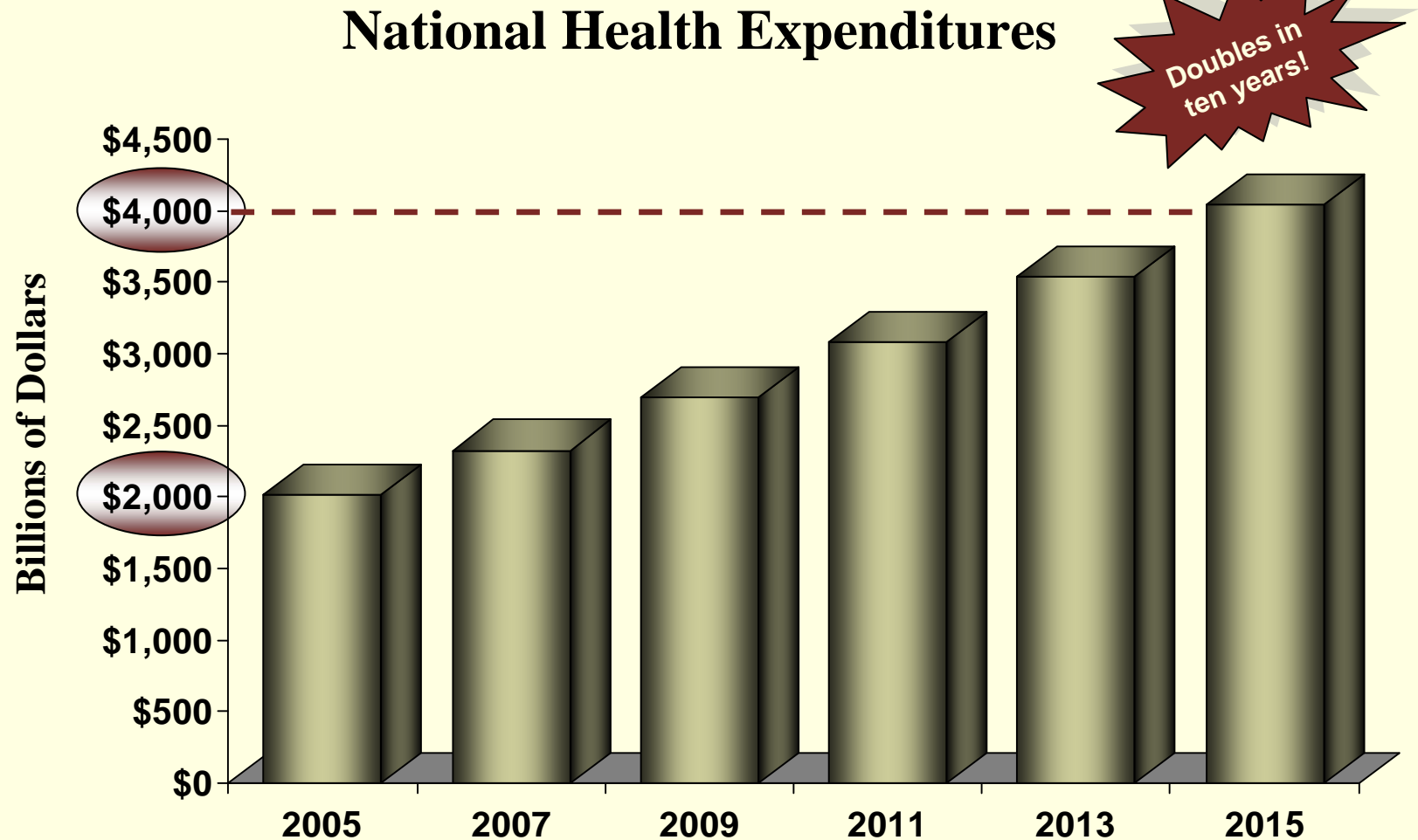


The Cost of Health Care: *Improving Affordability*

Christopher Ohman, President and CEO
California Association of Health Plans

Office of Patient Advocate Symposium
May 2, 2007

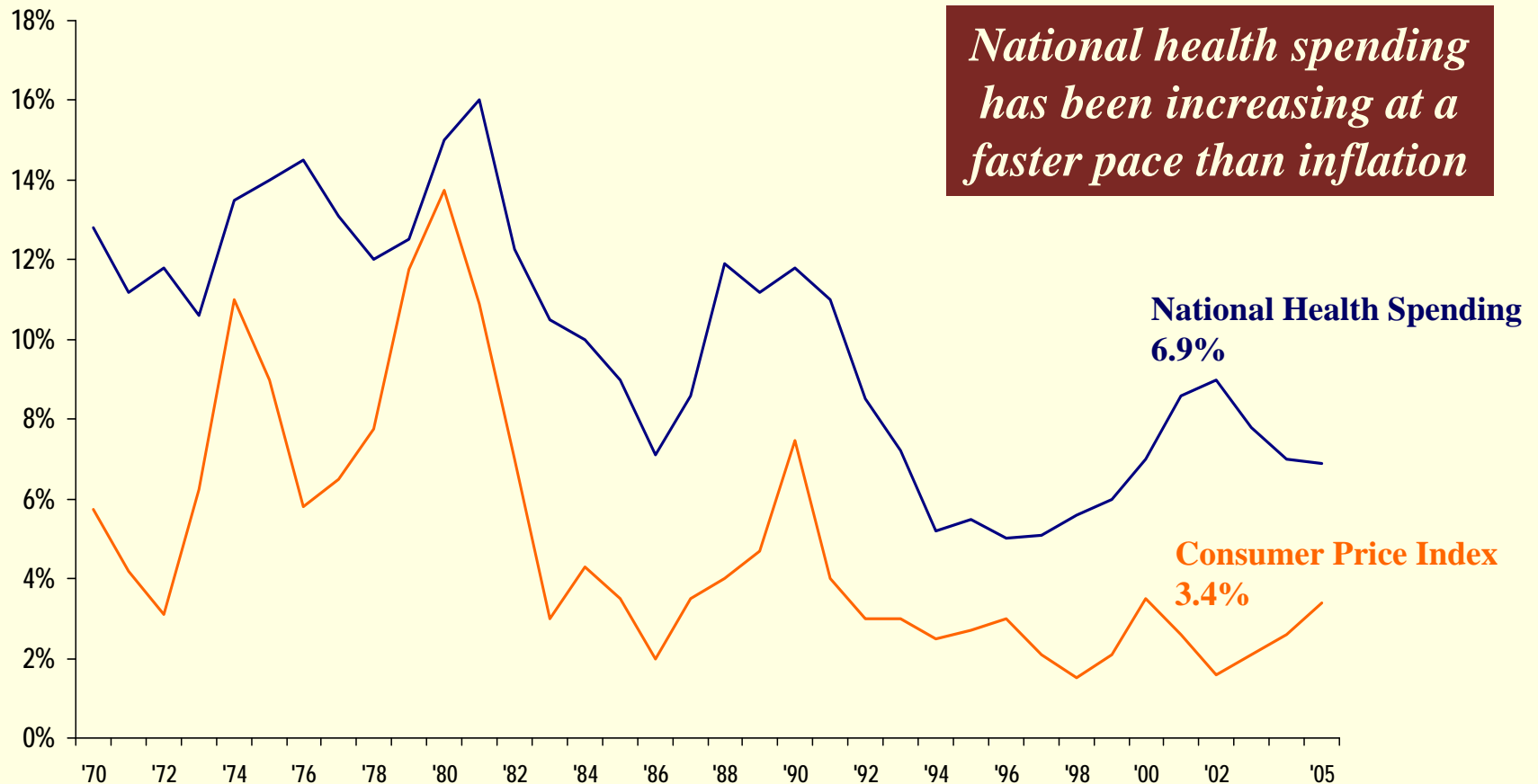
It's the Cost . . .



Annual Growth Rates

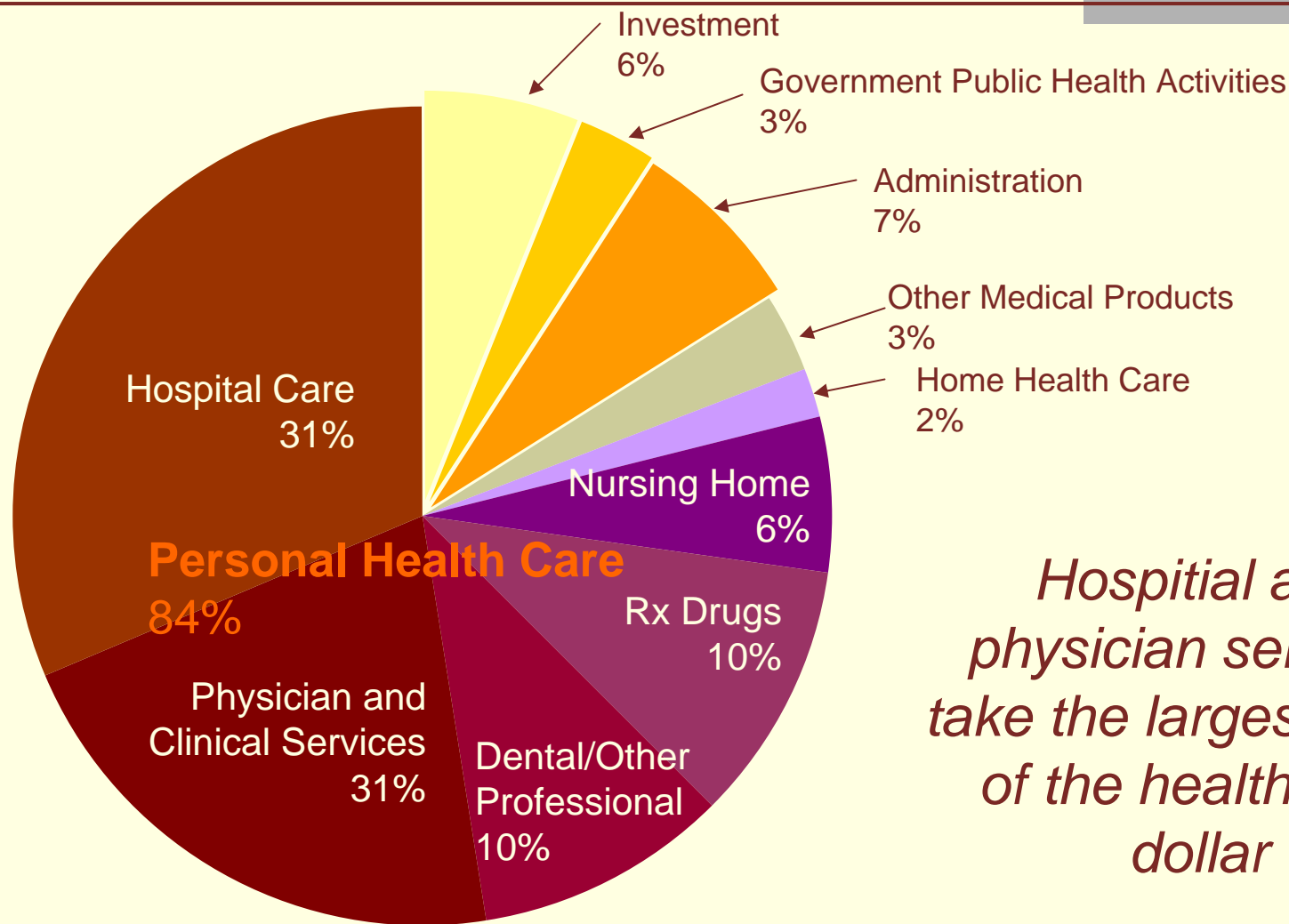
Spending vs. Inflation

Increase Over Prior Year



Health Care Spending (2005)

Total Spending: \$2 Trillion



Hospital and physician services take the largest share of the health care dollar

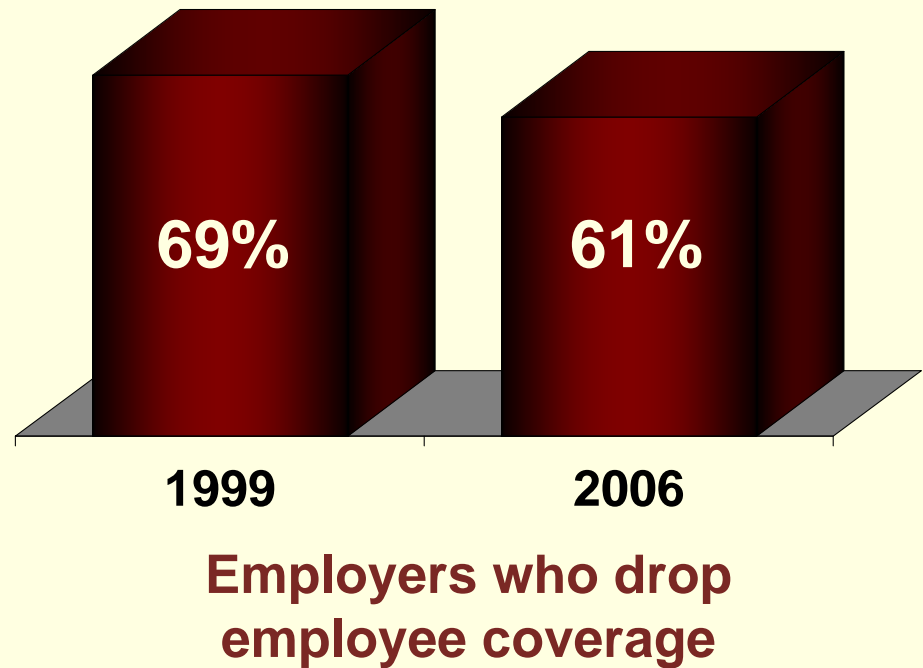
Who Pays—Employers?

- **Global competition limits employers**
- **GM spends more on health care – \$1,525 per car – than on steel***
- **US manufacturing jobs replaced with low wage/low benefit retail jobs**

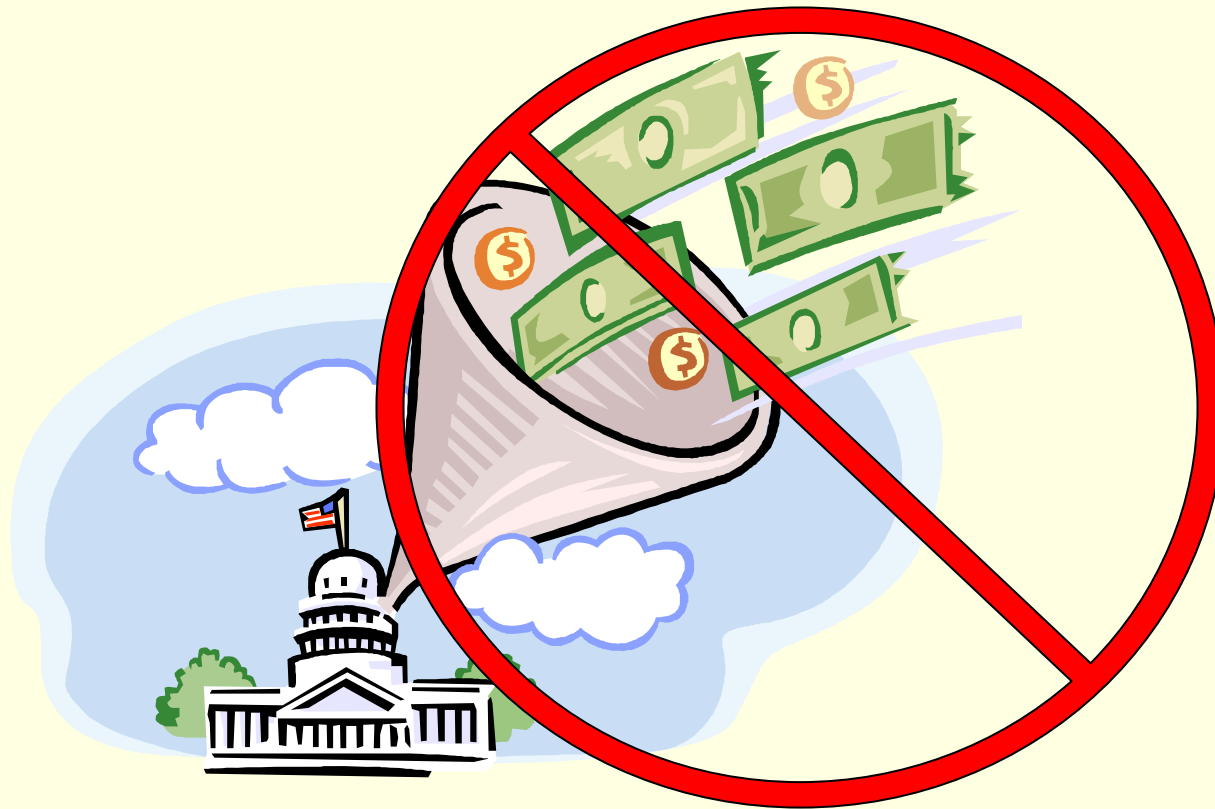


Who Pays—Employers?

- Less than 50% of California small companies offer coverage

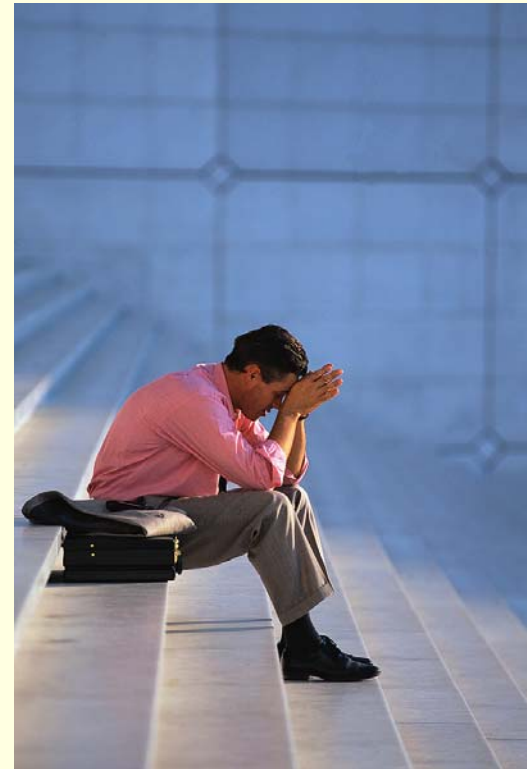


Who Pays—Government?



Who Pays— Consumer Pays More by Default

- It's not an evil health plan plot!



Who Pays—All of Us

Employees

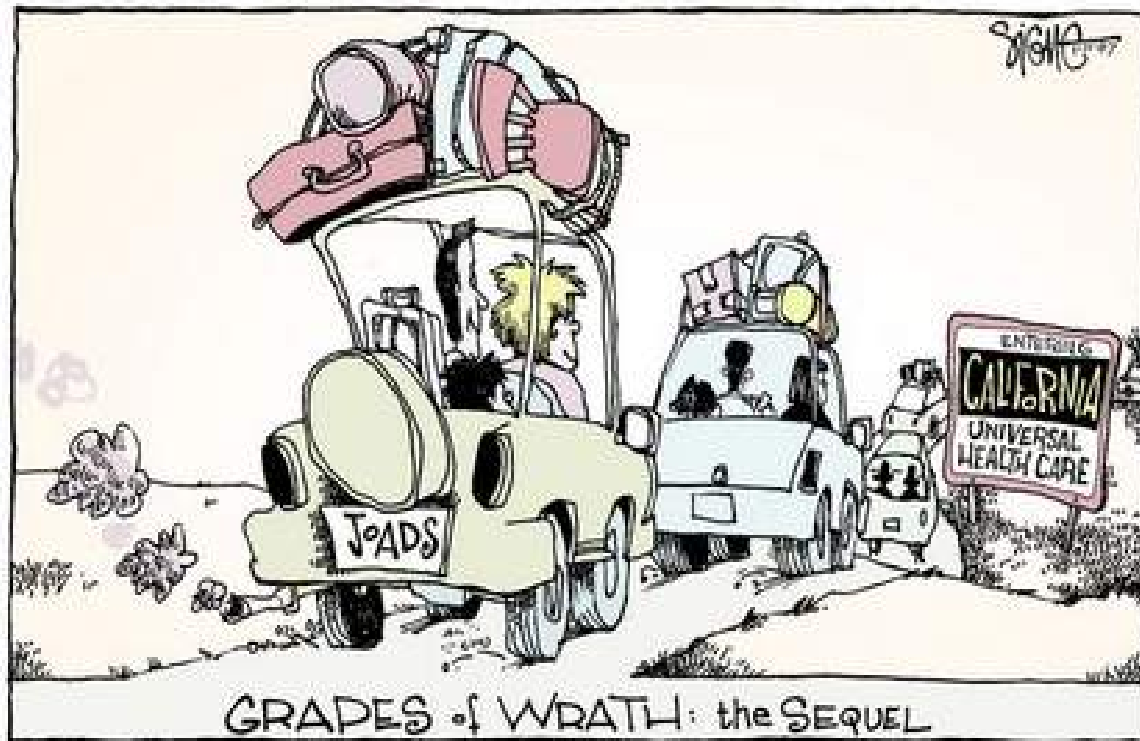
Government

Consumers

```
graph LR; Employees --> Affordability; Government --> Affordability; Consumers --> Affordability;
```

Affordability

Governor's Proposal: Coverage and Affordability



CAHP Strategies to Drive Affordability

- **CAHP's affordability strategies fall into three categories:**
 - 1. Promote evidence based medicine**
 - 2. Reform system inefficiencies**
 - 3. Promote healthy lifestyles**

CAHP Strategies to Drive Affordability: Promote Evidence based Medicine

- **Reward the practice of evidence based medicine**
- **Use the best technology**
- **Increase quality with centers of excellence**
- **Increase best practices**
- **Lower pharmaceutical costs**
- **Reduce medical errors through e-prescribing**
- **Promote patient safety**
- **Align provider incentives**
- **Deliver quality metrics and support tools to consumers**

CAHP Strategies to Drive Affordability: Promote Evidence Based Medicine

■ Better health: Lower cost

PA Hospital Acquired Infection Rates 2005

	Number of Cases	Mortality		Average Length of Stay (In Days)	Average Charge
		Number	Percent		
Cases with a hospital-acquired infection	19,154	2,478	12.9	20.6	\$185,260
Cases without a hospital-acquired infection	1,550,010	36,238	2.3	4.5	\$31,389

MinuteClinic: Convenience and . . . Reform System Inefficiencies

- Shorter visit times add to convenience factor

Site	Average Visit Time
Primary Care Physician	1½ Hours
Urgent Care	2 – 3 Hours
Emergency Room	2 – 5 Hours
Minute Clinic	15 minutes

CAHP Strategies to Drive Affordability: Reform System Inefficiencies

- **Slow growth in physician and hospital costs**
 - **Promote increased network affordability**
 - **Use more consolidated delivery methods**
 - **Reduce regulatory barriers**
 - **Clarify payment requirements**
 - **Incentivize quality medicine**
 - **Use more contracted hospitals to provide care**

MinuteClinic: Convenience and Cost Savings

- Compared with primary care providers, urgent care centers and emergency rooms, MinuteClinic proves more cost-effective

MinuteClinic Cost	Primary Care Cost	Urgent Care Cost	ER Cost
\$59**	\$100 - \$122*	\$130*	\$328*
Savings:	\$41 - \$63	\$71	\$269

*Source: 2005 HealthPartners MN Cost Study and Mercer B&D Study 2005

**Includes \$49 office visit and \$10 rapid step throat test

CAHP Strategies to Drive Affordability: Reform System Inefficiencies

- **Implement market reforms**
 - **Allow for more flexibility in product design**
 - **Offer consumer tax breaks like HSAs**
 - **Improve the high-risk pool or eliminate the need**
 - **Empower consumers**
 - **Promote competition through enforcement of anti-trust laws and monopoly pricing**
 - **Improve provider access standards and competition through regulatory support for tiered provider networks**

CAHP Strategies to Drive Affordability: Reform System Inefficiencies

■ Eliminate cost shifting

The Hidden Tax

Actual Cost of Medical Care

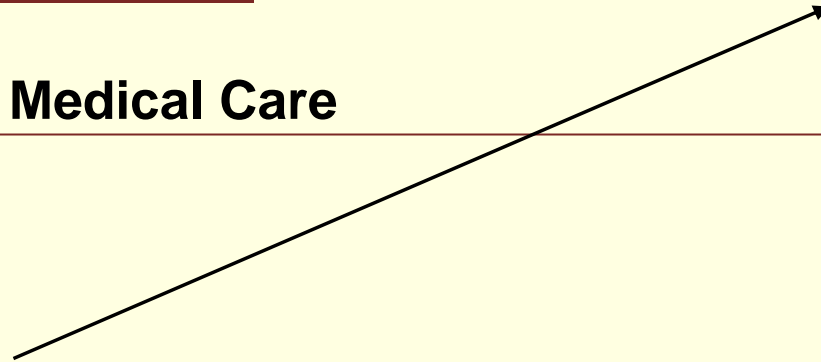
Uninsured

Medi-Cal
Underfunding

17% of premium

17% of premium

Cost to
Insured



CAHP Strategies to Drive Affordability: Reform System Inefficiencies

■ Minimize administrative costs

- Streamline regulations
- Avoid overly costly, unneeded regulations
- Avoid unneeded regulatory packages
- Use electronic exchange programs to reduce paper claims and speed access to information
- Deliver clinical information to physicians electronically

CAHP Strategies to Drive Affordability: Promote Healthy Lifestyles

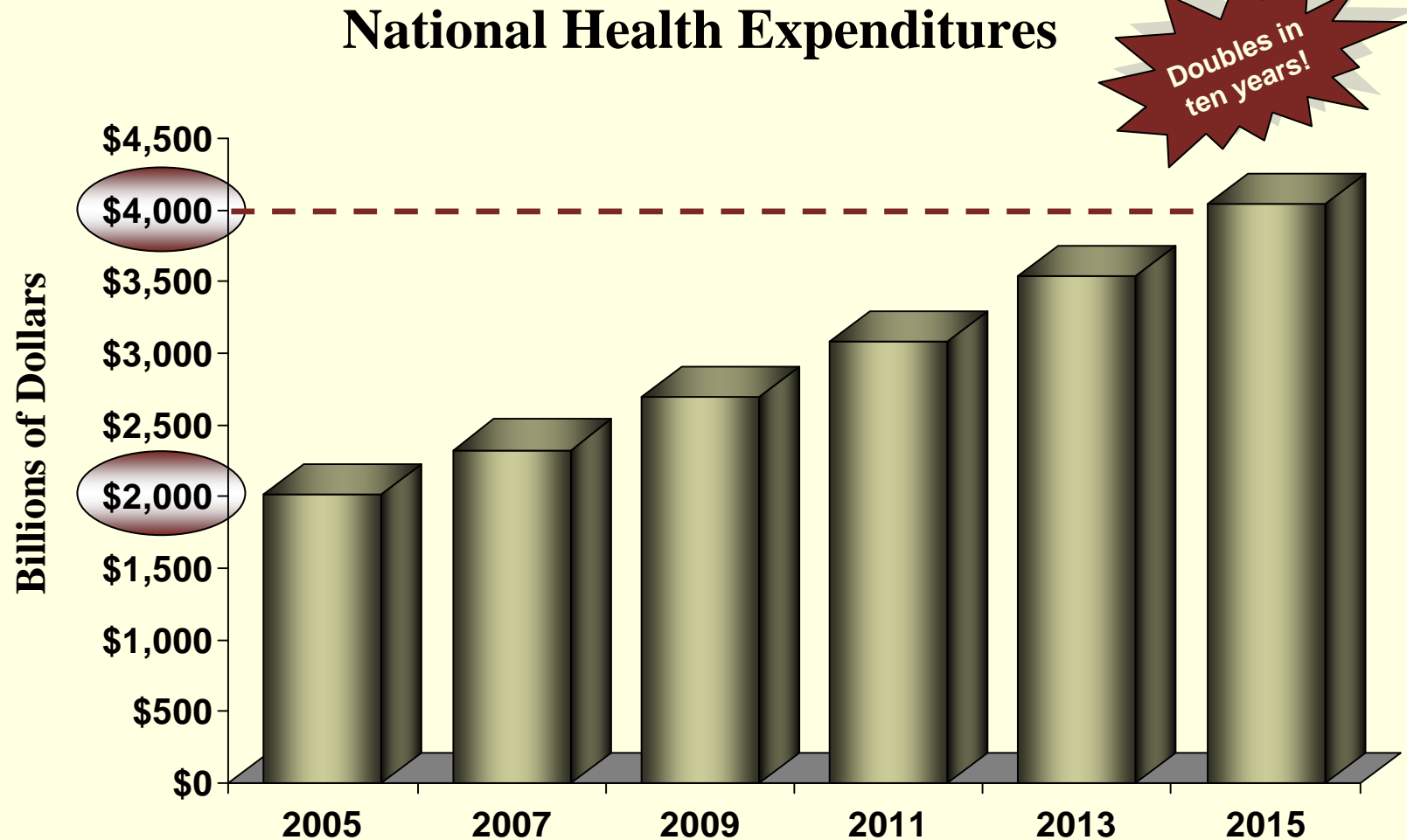
- **Improve chronic care**
- **Promote wellness**
- **Incentivize wellness**
- **Reduce obesity**



CAHP Strategies to Drive Affordability

- **CAHP's affordability strategies fall into three categories:**
 - 1. Promote evidence based medicine**
 - 2. Reform system inefficiencies**
 - 3. Promote healthy lifestyles**

What Will We Say in Ten Years?





Thank You!